

Internal Revenue Service

Number: **200706007**

Release Date: 2/9/2007

Index Numbers: 368.04-00, 351.00-00,
357.02-00

Department of the Treasury

Washington, DC 20224

[Third Party Communication:

Date of Communication: Month DD, YYYY]

Person To Contact:

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PLR-140514-06

Date:

November 03, 2006

LEGEND:

Parent =

FSub 1 =

FSub 2 =

FSub 3 =

FSub4 =

FSub5 =

FSub6 =

FSub7 =

FSub8 =

FSub9 =

FSub10 =

Partner =

PLR-140514-06

Acquiring =

Country A =

Country B =

Country C =

Country D =

Date 1 =

Date 2 =

Date 3 =

Business A =

a =

b =

c =

d =

e =

Dear :

This letter responds to your August 23, 2006, letter requesting rulings as to the federal income tax consequences of a proposed transaction. The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Parent is a publicly traded U.S. corporation that conducts its business through various domestic and foreign subsidiaries. Parent is the common parent of a group

consisting of both domestic and foreign corporations. Parent joins with its includible affiliates in filing a consolidated federal income tax return.

FSub1, a Country A entity, is a wholly owned direct subsidiary of Parent.

FSub1 owns all of the outstanding shares of FSub2. FSub2 is a Country B entity which, as of Date 1, has elected to be an entity that is disregarded as separate from its owner for federal tax purposes under § 301.7701-3 of the Procedure and Administration regulations (a "Disregarded Entity").

FSub2 owns all of the outstanding shares of FSub3. FSub3 is a Country B entity which has elected to be a Disregarded Entity for federal tax purposes.

Prior to Date 2, Parent conducted its Business A operations as part of FSub3's joint venture with Partner, an unrelated Country C entity. Parent, through FSub3, held a a percent interest and Partner held a b percent interest in the joint venture. The joint venture entities include FSub4, a Country D holding company, and sole beneficial owner¹ of FSub5, a Country D company; FSub6, a Country D holding company and sole beneficial owner of FSub7, also a Country D company; FSub8, a Country D holding company, and sole owner of FSub9, a Country B company; and, FSub10, a Country D company. FSub4, FSub6, FSub8, and FSub10 are referred to herein individually as a "Joint Venture Entity" and, collectively, as the "Joint Venture Entities."

FSub5, FSub7 and FSub9 are referred to herein individually as an "Operating Company" and, collectively, as the "Operating Companies." Each Operating Company has total liabilities (within the meaning of § 357(c) and (d)) in excess of the total adjusted basis in its assets.

Proposed Transaction

To accomplish the stated business purpose, the following transaction has been proposed (collectively the "Proposed Transaction"):

(i) The stated business purpose of these transactions (the "Transactions") is to consolidate all of the assets, liabilities and operations of the Joint Venture Entities and Operating Companies into a single holding company.

¹ One share each of FSub5 and FSub7 is held by a nominee under an agreement whereby record ownership of each such share is in the nominee but all rights and beneficial ownership are held by FSub4 and FSub6, respectively, under which the nominee is required to hold and deal with such shares at the direction of the beneficial owner. Under the agreement, the nominee has endorsed a transfer form for each such share in blank and has deposited each such certificate and transfer form with its beneficial owner.

(ii) Pursuant to a plan, on Date 2, FSub3 purchased from Partner a c percent ownership interest in each Joint Venture Entity, resulting in FSub3 owning a d percent interest and Partner owning a e percent ownership interest in each Joint Venture Entity.

(iii) Pursuant to a plan of reorganization, on Date 3, FSub3 and Partner contributed the stock of their joint venture ownership interests (through an escrow agent) to form Acquiring, a Country D holding company, in exchange for a d and e interest, respectively, in Acquiring (the "Contribution").

(iv) Each Joint Venture Entity and Operating Company intends to elect under § 301.7701-3 to become a Disregarded Entity for federal tax purposes (the "Elections").

(v) The Contribution and Elections together are intended to constitute a single plan under which each Joint Venture Entity and Operating Company is deemed to transfer all of its assets to Acquiring in exchange for the stock of Acquiring, and Acquiring is deemed to assume the liabilities of each such entity, followed by the deemed liquidation (as a result of the Elections) of each Joint Venture Entity and Operating Company (each an "Exchange" and, collectively, the "Exchanges").

Representations

Parent makes the following representations with respect to the Transactions:

(a) Parent is the sole United States shareholder of FSub1, Acquiring and each Joint Venture Entity.

(b) Each of the Joint Venture Entities, Operating Companies, Acquiring, and FSub1 is (and, prior to Date 1, FSub2 was) classified as a corporation under § 301.7701-3 for federal tax purposes.

(c) None of the Joint Venture Entities, Operating Companies, Acquiring and FSub1: (i) has ever made an election under § 301.7701-3 to change its entity classification; (ii) is or has ever been engaged in the conduct of any trade or business in the United States; (iii) has or has ever had any office or other place of business in the United States; (iv) has or has ever had any income which was effectively connected or treated as effectively connected with the conduct of a trade or business in the United States; (v) has been a passive foreign investment company, within the meaning of § 1297, for any taxable year; or, (vi) has ever owned any United States real property interests, within the meaning of § 897(c). The representations in (i) through (vi) above were equally true of FSub2 prior to Date 1.

(d) Each of the Joint Venture Entities, Operating Companies, Acquiring and FSub1 is a controlled foreign corporation within the meaning of § 957(a).

(e) Parent is a § 1248 shareholder (within the meaning of Treas. Reg. § 1.367(b)-2(b)) with respect to Acquiring as a result of the Contribution; is and has been at all relevant times a § 1248 shareholder of FSub1; and is and will be a § 1248 shareholder of the Joint Venture Entities and the Operating Companies until the elections under § 301.7701-3 are made.

(f) The fair market value of the Acquiring stock received by each shareholder of each of the Joint Venture Entities will be approximately equal to the fair market value of such Joint Venture Entity's stock surrendered in the Exchanges.

(g) There is no plan or intention by the shareholders of each Joint Venture Entity who own 1 percent or more of such Joint Venture Entity's stock, and to the best of the knowledge of the management of each Joint Venture Entity, there is no plan or intention on the part of the remaining shareholders of each Joint Venture Entity to sell, exchange, or otherwise dispose of a number of shares of Acquiring stock received in the Exchanges that would reduce each such Joint Venture Entity's shareholders' ownership of Acquiring stock to a number of shares having a value, as of the date the Transactions are completed, of less than 50 percent of the value of all of the formerly outstanding stock of each such Joint Venture Entity as of the same date. For purposes of this representation, shares of each such Joint Venture Entity's stock exchanged for cash or other property, surrendered by dissenters or exchanged for cash in lieu of fractional shares of Acquiring stock will be treated as outstanding stock of each such Joint Venture Entity on the date the transactions are completed. Moreover, shares of any Joint Venture Entity stock and shares of Acquiring stock held by Joint Venture Entity shareholders and otherwise sold, redeemed, or disposed of prior or subsequent to the date the transactions are completed will be considered in making this representation.

(h) Acquiring will acquire at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets held by each of the Joint Venture Entities and Operating Companies immediately prior to the date the transactions are completed. For purposes of this representation, amounts paid by each of the Joint Venture Entities and Operating Companies to dissenters, amounts paid by each of the Joint Venture Entities and Operating Companies to shareholders who receive cash or other property, amounts used by each of the Joint Venture Entities and Operating Companies to pay its reorganization expenses, and all redemptions and distributions (except for regular, normal dividends) made by each of the Joint Venture Entities and Operating Companies immediately preceding the transfer will be included as assets of each of the Joint Venture Entities and Operating Companies held immediately prior to the date the transactions are completed.

(i) After the transactions are completed, the shareholders of the Joint Venture Entities will be in control of Acquiring within the meaning of § 368(a)(2)(H)(i).

(j) Acquiring has no plan or intention to reacquire any of its stock issued in the Transactions.

(k) Acquiring has no plan or intention to sell or otherwise dispose of any of the assets of the Joint Venture Entities or the Operating Companies acquired in the Transactions, except for dispositions made in the ordinary course of business.

(l) The Joint Venture Entities' and the Operating Companies' liabilities to be assumed (within the meaning of § 357(d)) by Acquiring were incurred in the ordinary course of business and are associated with the assets to be transferred.

(m) Following the Transactions, Acquiring will continue the historic business of each of the Joint Venture Entities and Operating Companies, or use a significant portion of the historic business assets in a business.

(n) At the time of the Transactions, Acquiring will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in Acquiring that, if exercised or converted, would affect the Joint Venture Entities' shareholders' acquisition or retention of control of Acquiring, as defined in § 368(a)(2)(H)(i).

(o) Acquiring, the Joint Venture Entities, the Operating Companies, and the shareholders of the Joint Venture Entities will pay their respective expenses, if any, incurred in connection with the Transactions.

(p) There is no intercorporate indebtedness existing between Acquiring and any of the Joint Venture Entities or Operating Companies that was issued, acquired, or will be settled at a discount.

(q) No two parties to any of the Exchanges are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(r) The fair market value of the assets of each Joint Venture Entity and Operating Company transferred to Acquiring will equal or exceed the sum of the liabilities assumed by Acquiring, plus the amount of liabilities, if any, to which the transferred assets are subject.

(s) The total adjusted basis of the assets of each Joint Venture Entity transferred to Acquiring will in each case equal or exceed the sum of the liabilities to be assumed (as determined under § 357(d)) by Acquiring, plus the amount of liabilities, if any, to which the transferred assets are subject.

(t) The total adjusted basis of the assets of each Operating Company transferred to Acquiring will not equal or exceed the sum of the liabilities of each such

Operating Company to be assumed (as determined under § 357(d)) by Acquiring, plus the amount of liabilities, if any, to which such transferred assets are subject.

(u) None of the Joint Venture Entities and Operating Companies is under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).

Rulings

Based solely on the information submitted and the representations made, we rule as follows with respect to the Contribution, Exchanges, and Elections:

(1) For federal income tax purposes, the Contribution and Elections together constitute a single plan under which each Joint Venture Entity and Operating Company will be treated as transferring all of its assets to Acquiring in exchange for the stock of Acquiring, and Acquiring will be treated as assuming the liabilities of each such entity, followed by the deemed liquidation of each Joint Venture Entity and Operating Company.

(2) The Contribution followed by the Election made by each Joint Venture Entity and Operating Company will each qualify as a reorganization within the meaning of § 368(a)(1)(D). Treas. Reg. § 301.7701-3(g)(3)(iii), and Rev. Rul. 67-274, 1967-2 C.B. 141, *amplified by* Rev. Rul. 2001-46, 2001-2 C.B. 321. The Joint Venture Entities, Operating Companies, and Acquiring will each be “a party to a reorganization” within the meaning of § 368(b).

(3) The Joint Venture Entities, the Operating Companies and Acquiring will not recognize any gain or loss on the Exchanges (§§ 357(a) and 361(a)).

(4) The Joint Venture Entities and the Operating Companies will not recognize any gain or loss on the transfer of Acquiring stock to their respective shareholders (§ 361(c)(1)).

(5) Acquiring will not recognize any gain or loss on the Exchanges (§ 1032(a)).

(6) Acquiring's basis in each asset deemed to be received in the Exchanges will equal the basis of that asset in the hands of the respective Joint Venture Entity or Operating Company immediately before its transfer (§ 362(b)).

(7) Acquiring's holding period in each asset deemed to be received from each Joint Venture Entity and Operating Company in the Exchanges will include the period during which the respective Joint Venture Entity or Operating Company held that asset (§ 1223(2)).

(8) The shareholders of each Joint Venture Entity and Operating Company will not recognize any gain or loss on the receipt of Acquiring stock in exchange for the stock of such entity (§ 354(a)(1)).

(9) The basis of the shares of Acquiring received by the shareholders of each Joint Venture Entity in the Exchanges will equal the basis of the shares in the hands of each of the Joint Venture Entity's shareholders immediately before the Exchanges (§ 358(a)(1)).

(10) The holding period of the Acquiring stock received by the shareholders of each Joint Venture Entity in the Exchange will include the period during which the shareholders held the stock of each such entity surrendered in exchange therefor, provided that the stock of each such entity is held as a capital asset on the date of the Exchanges (§ 1223(1)).

Caveats

No opinion is expressed about the tax treatment of the proposed transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. Except as indicated above, no opinion is expressed regarding any tax effects of any transactions made in contemplation of but completed prior to the submission of this ruling request. Additionally, no opinion is expressed or implied as to the application of § 1.367(b)-1(c), § 1.367(b)-2 or § 1.367(b)-4 to the above transactions.

Procedural Statements

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent. A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the power of attorney on file in this office, a copy of this ruling letter will be sent to your authorized representative.

Sincerely,

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel (Corporate)